



THE STATE

OF WYOMING

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JIM GERINGER  
GOVERNOR

*Public Service Commission*

HANSEN BUILDING, SUITE 300

2515 WARREN AVENUE

CHEYENNE, WYOMING 82002

(307) 777-7427

FAX (307) 777-5700

TTY (307) 777-7427

<http://psc.state.wy.us>

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CHAIRMAN  
STEVE FURTNEY  
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March 30, 2000

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Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> St., N.W., Room TW-204B  
Washington, DC 20554

RE: IN THE MATTER OF THE FEDERAL-STATE JOINT BOARD ON UNIVERSAL  
SERVICE (CC DOCKET NO. 96-45)

Dear Ms. Salas,

Enclosed is a copy of this cover letter please stamp received on this copy and return to  
Denise Parrish in the stamped envelope enclosed.

Sincerely ,  
Rachele Glasgow

No. of Copies rec'd 0+4  
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Before the Federal Communications Commission  
Washington, DC 20554

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MAR 31 2000  
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In the Matter of the )  
Federal-State Joint Board on ) CC Docket No. 96-45  
Universal Service )

**PETITION OF THE WYOMING PUBLIC SERVICE COMMISSION FOR WAIVER OF  
THE FEDERAL COMMUNICATION COMMISSION'S TARGETING RULES AS  
FOUND IN § 54.309 and § 54.311**

**March 30, 2000**

The Wyoming Public Service Commission (WPSC) hereby submits its request for a waiver of the Federal Communications Commission (FCC) targeting rules which were issued in conjunction with the Ninth Report and Order and Eighteenth Order on Reconsideration in CC Docket No. 96-45. The WPSC is asking that it be permitted to target the federal universal service support provided to its non-rural carrier in a manner differently than that directed by the FCC, while still clearly targeting the funds to higher cost customers in Wyoming. We ask that this targeting waiver apply to both the forward-looking support for non-rural carriers and the interim hold-harmless support for non-rural carriers. The WPSC is the agency of the government of the State of Wyoming having the jurisdiction to regulate, *inter alia*, the intrastate activities of telecommunications companies serving in Wyoming.

In its Ninth Report and Order and Eighteenth Order on Reconsideration in CC Docket No. 96-45, the FCC directed that high cost universal service support received by non-rural carriers be targeted to high cost wire centers. Specifically, the order states at paragraph 70:

We conclude that, after the total amount of forward-looking support provided to carriers in a particular state has been determined in accordance with the methodology set forth above, which is based on statewide average costs, the total support amount will then be targeted so that support is only available to carriers serving those wire centers with forward-looking costs in excess of the benchmark, and so that the amount available per line in a particular wire center has two main effects. First, once the forward-looking mechanism calculates the total amount of support available within a state, the targeting approach determines which carriers receive support, and how much support is provided to each carrier. Second, the targeting approach determines the amount of support that is available to a competitive carrier that captures lines from an incumbent carrier.[Footnote omitted.]

After a discussion of the specific calculations associated with this targeting determination, the FCC's Report and Order indicates, at paragraph 76, that states may petition to target in a different geographic way than that directed by the FCC. Specifically, the Report and Order states:

After further consultation with the Joint Board, we recognize that some states may wish to have federal support targeted to an area different than the wire center, e.g., the UNE cost zone, in order to achieve the individual state rulemaking goals unique to a particular state. We believe that such an approach is consistent with the states' primary role in ensuring reasonable comparability within their borders and would give the states a degree of flexibility in reaching that goal. Therefore, we conclude that a state may file a petition for waiver of our targeting rules, asking the Commission to target federal support to an area different than the wire center. Such a petition should include a description of the particular geographic level to which the state wishes federal support to be targeted, and an explanation of how that approach furthers the preservation and advancement of universal service within the state. [Footnotes omitted.]

The WPSC requests that it be permitted to target non-rural carrier federal high cost support to the established rate zones that are used for establishing both retail rates and rates for unbundled network elements in lieu of targeting the funds based on wire centers. By allowing targeting based on geographic rate zones, the federal and state support would compliment each other, while still allowing the funds to be directed to higher cost customers and keeping the funds portable to competitive carriers.

In Wyoming, U S WEST Communications prices for basic retail services and unbundled network elements are based on four geographic areas designated as: the Base Rate Area, Zone One, Zone Two and Zone Three. While there is no exact precision in determining the boundaries for these geographic areas, in general, the Base Rate Area represents the portion of the wire center that contains the highest density of access lines per square mile around the central office and perhaps, loosely coinciding with the city or town limits. Zone One represents the region around the base rate area with the next highest density, and while not circular in nature, would in general, represent the area that would fall approximately within about a three mile radius of the Base Rate Area. The next designation, Zone Two, is similar in that it tracks the area of density, and again, roughly follows the location of the population within a radius falling approximately within a three to seven mile radius of the Base Rate Area. Finally, Zone Three incorporates the remaining customers, those living in the most sparsely populated areas. While the designation of these areas is not a science of precise measurement, these rate zones are well established in Wyoming and have formed the basis for determining retail rates for many years. Additionally, we note that the boundaries of the various zones are periodically reviewed and modified to account for population changes and to reflect changing cost of service parameters as warranted.

In its most recent order regarding the retail rates for U S WEST Communications, dated September 16, 1999, the WPSC deaveraged both the retail rates for U S WEST customers and the targeting of federal funds based on these geographic zones, as described above. Specifically, the following monthly retail prices — prices that eliminate implicit subsidies and are based on forward-looking costs — were established in that case:

Base Rate Area	\$23.10
Zone One	\$23.10 plus zone charge of \$15.50
Zone Two	\$23.10 plus zone charge of \$25.50
Zone Three	\$23.10 plus zone charge of \$46.25

The WPSC retail rate decision for U S WEST then took these unsupported, gross prices for service and targeted the federal universal service fund directly to customers. We emphasize that the following federal high cost support, designated by zone, is directly targeted to customers in the form of a bill credit offsetting the actual cost of service to that zone customer, as specified above. Thus, the customer sees both the unsupported price of service on the bill, as well as the amount of support coming from each of the federal and state universal service funds on the bill. The federal universal service fund targeted monthly, per line amounts are currently established as:

Base Rate Area	\$ 0
Zone One	\$ 2.00
Zone Two	\$ 6.50
Zone Three	\$12.25

Representatives of the WPSC and U S WEST are currently in discussions regarding the establishment of a process that would update these bill credits on a periodic basis to reflect the quarterly updates of the federal support levels. These discussions anticipate the continued use of geographic zones for these bill credits to conform and coordinate with the established geographic zones for retail rates.

The net retail rate, that is, the above specified forward-looking cost based rate, less the targeted federal support designated by geographic zone, is then used to determine the amount of state universal service support that is required to be directed to each customer (again, in the form of a bill credit) to keep rates affordable. Currently, the difference between the net rate and 130% of the statewide weighted average rate (currently computed to be about \$34.81 for residential customers) is the level of support that comes from the Wyoming universal service fund. Thus, the amount of support that comes from both the state and federal funds are already targeted to Wyoming customers, based on the amount of support necessary to maintain an affordable rate. Customers in higher cost, more sparsely populated areas receive more support than those customers in the lower cost, more densely populated areas. This is consistent with the FCC's goal of using the federal support to further the preservation and advancement of universal service within the state.

Clearly, the WPSC's request to modify the geographic areas designated by the FCC for targeting of the high cost support, and our request for alternative geographic targeting, continues to maintain the integrity of other reasons specified by the FCC for wanting geographic targeting, specifically those related to maintaining a portable fund. As explained in paragraph 74 of the FCC's Ninth Report and Order and Eighteenth Order on Reconsideration in CC Docket No. 96-45:

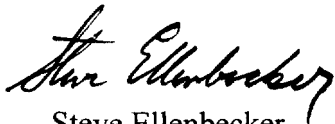
. . . If we did not target support, then the same amount of federal support would be available for any line served by a competitor within the state. Thus, support would be available, for example, to competitors that serve only low-cost, urban lines, regardless of whether the cost of any of the lines served exceeds the benchmark. This result would create uneconomic incentives for competitive entry, and could result in support not being used for the purposes for which it was intended, in contravention of section 254(e). [Footnotes omitted.]

The WPSC has designated its geographic areas used for retail rate setting and requested to be used for the targeting of federal support in such a way that portability of the funds remains possible without the creation of uneconomic incentives for competitive entry. In Wyoming, if a competitor serves a customer in Zone Three, then that competitor would be eligible to receive the \$12.25 per line of federal support, assuming that eligible telecommunications carrier status had been achieved. The competitor, potentially, would also be eligible for state universal service funds. Alternatively, if a competitor served only in the Base Rate Area, the most populous and least costly portion of a wire center, then no federal support would be available to either the customer served by the incumbent or the competitor, since support was not deemed necessary to maintain essential services to that Base Rate Area customer.

While the WPSC has focused its attention in this petition for a waiver of the FCC's targeting rules on its current rate setting practices, and the reason the waiver is important to maintain the federal-state partnership, we must also take this opportunity to re-emphasize our position that the funds allocated for Wyoming's non-rural carrier are not enough to meet the federal tests of sufficiency, predictability, and rate comparability. In this regard, we continue to ask the FCC to grant the WPSC's Petition for Reconsideration in this docket, to consider the special needs and circumstances of sparsely populated, high cost states, such as Wyoming. As shown by our rate levels specified above, we continue to be concerned about our limited resources to maintain affordable rates for basic, essential services, without additional federal support. The federal-state partnership must not be a one-size-fits-all solution.

In conclusion, the WPSC requests that the FCC grant a waiver of § 54.309 and § 54.311 of its rules, to allow the targeting of federal funds for Wyoming's non-rural carrier based on geographic rate zones, as described above, rather than through the use of wire centers. The granting of this requested waiver is consistent with the preservation and advancement of essential services, and with the desire to keep funds portable as competition in the local service markets develops.

Sincerely,



Steve Ellenbecker  
Chairman



Steve Furtney  
Deputy Chairman



Kristin Lee  
Commissioner